

### Question 1

What do you understand by break-even analysis?

Answer: <https://biology-forums.com/index.php?topic=1929509>

### Question 2

Use the table for the question(s) below.

Suppose the term structure of interest rates is shown below:

Term 1 year 2 years 3 years 5 years 10 years 20 years Rate (EAR%) 5.00% 4.80% 4.60% 4.50% 4.25% 4.15%

What is the net present value (NPV) of an investment that costs \$2500 and pays \$1000 certain at the end of one, three, and five years?

Answer: <https://biology-forums.com/index.php?topic=1929338>

### Question 3

What will be the effect on the income statement if a firm buys a new processing plant through a new loan?

Answer: <https://biology-forums.com/index.php?topic=1929244>

### Question 4

What will be the effect on the statement of cash flows if a firm buys a new processing plant through a new loan?

Answer: <https://biology-forums.com/index.php?topic=1929269>

### Question 5

What are the most difficult parts of capital budgeting?

Answer: <https://biology-forums.com/index.php?topic=1929507>

### Question 6

What is the effect on the stock price when a firm repurchases its shares?

Answer: <https://biology-forums.com/index.php?topic=1929734>

### Question 7

What are sunk costs?

Answer: <https://biology-forums.com/index.php?topic=1929493>

### Question 8

What is yield to worst?

Answer: <https://biology-forums.com/index.php?topic=1929695>

### Question 9

What are some of the advantages of going public?

Answer: <https://biology-forums.com/index.php?topic=1929632>

### Question 10

What role does Generally Accepted Accounting Principles (GAAP) play in the accounting process?

Answer: <https://biology-forums.com/index.php?topic=1929281>

### Question 11

How can the dividend-discount model handle changing growth rates?

Answer: <https://biology-forums.com/index.php?topic=1929423>

### Question 12

What are bond covenants?

Answer: <https://biology-forums.com/index.php?topic=1929674>

### Question 13

What is cash discount?

Answer: <https://biology-forums.com/index.php?topic=1929760>

### Question 14

What is yield to call?

Answer: <https://biology-forums.com/index.php?topic=1929693>

### Question 15

How does the costs of IPO puzzle financial economists?

Answer: <https://biology-forums.com/index.php?topic=1929646>

### Question 16

What is the bird-in-the-hand fallacy in dividend theory under perfect capital markets?

Answer: <https://biology-forums.com/index.php?topic=1929735>

### Question 17

What is a major assumption about growth rate in the dividend-discount model?

Answer: <https://biology-forums.com/index.php?topic=1929419>

### Question 18

What is the general long run performance of an IPO?

Answer: <https://biology-forums.com/index.php?topic=1929647>

### Question 19

What is yield to maturity?

Answer: <https://biology-forums.com/index.php?topic=1929694>

### Question 20

What is the implied assumption about interest rates when using the built-in functions of a financial calculator to calculate the present value (PV) of an annuity?

Answer: <https://biology-forums.com/index.php?topic=1929339>

### Question 21

Is volatility a reasonable measure of risk when evaluating large portfolios?

Answer: <https://biology-forums.com/index.php?topic=1929560>

### Question 22

Use the table for the question(s) below.

Suppose the term structure of interest rates is shown below:

Term	1 year	2 years	3 years	5 years	10 years	20 years	Rate (EAR%)
	5.00%	4.80%	4.60%	4.50%	4.25%	4.15%	

After examining the yield curve, what predictions do you have about interest rates in the future? About future economic growth and the overall state of the economy?

Answer: <https://biology-forums.com/index.php?topic=1929337>

### Question 23

What are project externalities?

Answer: <https://biology-forums.com/index.php?topic=1929492>

### Question 24

Should personal preferences for cash today versus cash tomorrow play a role in the net present value (NPV) decision-making process?

Answer: <https://biology-forums.com/index.php?topic=1929444>

### Question 25

State the names of some of the firms discussed in the chapter that had inaccurate reporting in their financial statements.

Answer: <https://biology-forums.com/index.php?topic=1929282>

### Question 26

What is the need for the notes to the financial statements when the firm's operations are already documented in the financial statements?

Answer: <https://biology-forums.com/index.php?topic=1929273>

### Question 27

What is the Net Present Value rule?

Answer: <https://biology-forums.com/index.php?topic=1929443>

### Question 28

What are venture capital firms?

Answer: <https://biology-forums.com/index.php?topic=1929608>

### Question 29

What are the ways in which a firm can pay out its free cash flow?

Answer: <https://biology-forums.com/index.php?topic=1929732>

### Question 30

What is the assumption about leverage when using WACC to evaluate a project?

Answer: <https://biology-forums.com/index.php?topic=1929584>

### Question 31

What is discount period?

Answer: <https://biology-forums.com/index.php?topic=1929761>

### Question 32

How can we cross check the statement of cash flows?

Answer: <https://biology-forums.com/index.php?topic=1929268>

### Question 33

Can the dividend-discount model handle negative growth rates?

Answer: <https://biology-forums.com/index.php?topic=1929422>

### Question 34

According to the text, did Enron and WorldCom follow Generally Accepted Accounting Principles (GAAP) in their financial reporting process?

Answer: <https://biology-forums.com/index.php?topic=1929283>

### Question 35

What is the term for the applicable price that I will pay, if I have to buy a stock?

Answer: <https://biology-forums.com/index.php?topic=1929214>

### Question 36

What role do external auditors play in the firm's financial reporting process?

Answer: <https://biology-forums.com/index.php?topic=1929280>

### Question 37

How are the cash flows of a coupon bond different from an amortizing loan?

Answer: <https://biology-forums.com/index.php?topic=1929350>

### Question 38

What is the implied assumption about interest rates when the equation to calculate the present value (PV) of perpetuity is used?

Answer: <https://biology-forums.com/index.php?topic=1929340>

### Question 39

What will be the effect on the balance sheet if a firm buys a new processing plant through a new loan?

Answer: <https://biology-forums.com/index.php?topic=1929237>

### Question 40

What is the principal guiding factor for the financial manager?

Answer: <https://biology-forums.com/index.php?topic=1929199>

### Question 41

What is credit period?

Answer: <https://biology-forums.com/index.php?topic=1929762>

### Question 42

What is the assumption about risk when using WACC to evaluate a project?

Answer: <https://biology-forums.com/index.php?topic=1929583>

### Question 43

Can the nominal interest rate ever be negative? Can the real interest rate ever be negative? Explain.

Answer: <https://biology-forums.com/index.php?topic=1929336>

### Question 44

What are some of the highlights of Google's IPO process?

Answer: <https://biology-forums.com/index.php?topic=1929634>

### Question 45

What are some of the disadvantages of going public?

Answer: <https://biology-forums.com/index.php?topic=1929633>

### Question 46

How does IPO pricing puzzle financial economists?

Answer: <https://biology-forums.com/index.php?topic=1929645>

### Question 47

What are the terms for the two types of prices quoted for a stock on an exchange?

Answer: <https://biology-forums.com/index.php?topic=1929212>

### Question 48

What is collection float?

Answer: <https://biology-forums.com/index.php?topic=1929763>

### Question 49

What is the most important function of sensitivity analysis?

Answer: <https://biology-forums.com/index.php?topic=1929508>

### Question 50

What role do dividends play in stock investing?

Answer: <https://biology-forums.com/index.php?topic=1929395>

### Question 51

What are the implications of the efficient markets hypothesis for corporate managers regarding accounting earnings?

Answer: <https://biology-forums.com/index.php?topic=1929543>

### Question 52

Assuming everything else remains unchanged, how does a firm's decision to increase its dividend-payout ratio affect its growth rate?

Answer: <https://biology-forums.com/index.php?topic=1929421>

### Question 53

What is the relationship between the growth rate and the cost of equity implied in the dividend-discount model?

Answer: <https://biology-forums.com/index.php?topic=1929420>

### Question 54

Under what situation should the clean price, dirty price, and the price calculated by the basic annuity and present value (PV) equations for a bond be equal?

Answer: <https://biology-forums.com/index.php?topic=1929364>

### Question 55

Is volatility a reasonable measure of risk when evaluating the investment in a single stock?

Answer: <https://biology-forums.com/index.php?topic=1929561>

### Question 56

What are angel investors?

Answer: <https://biology-forums.com/index.php?topic=1929607>

### Question 57

What is the difference between preferred stocks issued by a private company and a mature company?

Answer: <https://biology-forums.com/index.php?topic=1929609>

### Question 58

What is the term for the applicable price that the seller gets when he sells a stock on the exchange?

Answer: <https://biology-forums.com/index.php?topic=1929215>

### Question 59

What is the general relation of the two types of prices quoted for a stock on a exchange?

Answer: <https://biology-forums.com/index.php?topic=1929213>

### Question 60

What are debentures?

Answer: <https://biology-forums.com/index.php?topic=1929666>

### Question 61

What are callable bonds?

Answer: <https://biology-forums.com/index.php?topic=1929692>

### Question 62

What are secured debt?

Answer: <https://biology-forums.com/index.php?topic=1929667>

### Question 63

What are the implications of stronger bond covenants?

Answer: <https://biology-forums.com/index.php?topic=1929675>